

Final Editorial Review **Not** Completed

Always delete; if not present, no action needed

For KPMG formatted docs: Should always be present and related to the document title; query if missing.

NDPPS USE ONLY	
NDPPS ID:	_____
Contact Name:	_____
Special Instructions	_____
_____	_____
_____	Version: <u>6</u>

Check document for consistency and Google for accuracy if there is discrepancies re the company name in the document

-*Subsidiaries* not usually part of the actual company name, check applicability

For KPMG formatted docs: Should always be present; instructions regarding the NDPPS box is usually seen in the special instructions box of the job sheet, check for accuracy (e.g., who to put in the contact name, what version number to use)

Check document for consistency
-Take note of the presence of "consolidated" and the like (e.g., combined, special-purpose) with the mention of "financial statements"

**JERA POWER U.S.A. INC.
AND SUBSIDIARIES**

Check document for consistency
-Latest year always comes first

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

Usually present, could vary (e.g., Independent Accountants' Review Report).

-Auditors', not Auditor's
-Check for the actual presence of the Report, could be missing

Three main parts of normal financial statements:

- 1) Auditors' Report
- 2) Financial Statements (Excel statements)
- 3) Notes to the Financial Statements

Word Margin Set-up

Top: 1.13
Bottom: 1
Left: 0.9
Right: 0.75

TOC is optional
-TOC headers should always only be the **company name** and the **Table of Contents** head, **without** the year nor the financial statement type

**JERA POWER U.S.A. INC.
AND SUBSIDIARIES**

Table of Contents

"**Page**" to be used if the following page mentions are all single page numbers
-"**page(s)**" if there is a page range present

For **colonated** header, succeeding entries are **indented**, if not, entries should be along the same level

Independent Auditors' Report

Consolidated Financial Statements:

Consolidated Balance Sheets

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Stockholder's Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Cross-check document for consistency of headers

-Could be "Statements of Comprehensive **Income**" in TOC but "Statements of Comprehensive **Loss**" in the Excel; ensure consistency

Cross-check document for pagination accuracy

Page(s)

1-2

3

4

5

6

7-20

Check for consistency; wording is as is, no need to add "the"

Text within the Word document should be **left aligned**/not justified

Top salutation should always begin with **"The"** (e.g., The Board..., The Members..., The Group)

-Company name (always followed by a colon) should be consistent, cross-check.

K-Report Title

Independent Auditors' Report

Cross-check statement names with those in the Excel and TOC (if present)

The Board of Directors
JERA Power U.S.A. Inc.:

K-Salutation

K-Body Text

We have audited the accompanying consolidated financial statements of JERA Power U.S.A. Inc. (formerly known as Chubu Electric Power Company U.S.A. Inc.) and its subsidiaries, which comprise the consolidated **balance sheets as of** December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the **Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

K-Normal Heading 1

Auditors' Responsibility

"**audit**" singular for 1 year; plural for 2 years

Our responsibility is to express an opinion on these consolidated financial statements based on our **audits**. We did not audit the financial statements of Carroll County Energy Holdings, LLC (a 20% owned investee company). The Company's investment in Carroll County Energy Holdings, LLC at December 31, 2016 and 2015, was \$99,938 thousands and \$100,544 thousands, respectively, and its equity loss was \$1,126 thousands and \$1,980 thousands for the year ended December 31, 2016 and for the period from April 5, 2015 (acquisition date) to December 31, 2015, respectively. The financial statements of Carroll County Energy Holdings, LLC were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Carroll County Energy Holdings, LLC, is based solely on the report of the other auditors. We conducted our **audits** in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Usually templated, no need to reword if no errors

The Auditors' Report (AR) section is the first main part of an FS.

-Considered as page 1, but should have **no pagination**.

-Abbreviations used in the AR is applicable only in the AR; abbreviations/ definitions in the Notes section is independent from the AR (e.g., if GAAP is given in the AR but is used again in the AR, even if it is present in the notes, **it should be deleted in the AR**)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JERA Power U.S.A. Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

K-Body Text Keep with Next

K-Ending Date

[(signed) KPMG LLP]

Atlanta, Georgia

Date

Ask to update if no date is given or if date given is a past/current date

Any abbreviations introduced above should **not** be used in the Opinion paragraph (e.g., The Company should appear as the full company name, GAAP in full, etc.)

-"...the years then ended[**should always have a comma here**] in accordance with..."

Notes Section TOMs

- 1) X/? rule: whenever presenting an edit as a query, an encircled question mark should be placed near that edit and **no** X-mark should accompany that edit (an edit with an accompanying X-mark is a sure edit; a query edit needs to be verified to the client first before being incorporated, thus the (?) with no sure X)
- 2) “Comprised of” rule: whenever the wording “are/is comprised/comprise/comprises of” appears, this should be edited accordingly:
 - a. “The flock **is** comprised **of** the birds” should be “The flock comprises the birds” or “The sentiments are principally comprised of opinions” should be “The sentiments principally comprise opinions”
- 3) Semicolons for list rule: (1) whenever a run-on list includes elements that within themselves contain commas, then the separator for that run-on list should become a **semicolon**:
 - a. “The entries include office space, property, plant and equipment, and leases” should be “The entries include office space; property, plant and equipment; and leases”

(2) For clarity; usually when there is an internal “and” in the list:

 - b. “The entries include office space, property and plant, and equipment” should be “The entries include office space; property and plant; and equipment”
- 4) Decimal places in percentages rule: whenever there are instances of two or more numeral percentages in a paragraph (this rule applies only on a per paragraph basis), the decimal places of the percentages should conform to the one with the greatest decimal places:
 - a. “The Company lost 34.2% and 2.236% in earnings” should be “The Company lost 34.**200**% and 2.236% in earnings”
- 5) Year ending for future date rule: whenever a future date is given, be it within sentences or embedded tables and even when accompanied with past or present dates, this cannot be referred to as year ended and must be corrected as year **ending**:
 - a. “For the years ended 2016, 2017, and 2018...” should be “For the years **ending** 2016, 2017, and 2018...”
- 6) Respectively/distributive rule: (1) whenever two years are mentioned along with two corresponding values, this should always be indicated by the word “respectively”:
 - a. “For the years ended 2016 and 2015, \$345 and \$567 was earned.” should be “For the years ended 2016 and 2015, \$345 and \$567 was earned, respectively.” [Note: **was** earned and not **were** because, even though two values are mentioned, the values were treated as distributive for each of the years mentioned]

(2) For mentions of **no distributable elements** for two years, the wording should **not** be, “There were no dividends for the years ended 2015 and 2016” but should be “There were no dividends for the year[singular] ended 2015 **or** 2016.”
- 7) Percentage in commas rule: whenever the percentage equivalent of a monetary value is mentioned, usually as a share, the percentage should always be enclosed within commas:
 - a. “In 2018, \$123,000 **or** 43% was allocated to the budget” should be “In 2018, \$123,000, or 43%, was allocated to the budget”

- 8) Less than 10 numeral rule: whenever there are two or more quantifications of the same element and one is less than 10 while the other is 10 above, the less than 10 value(s) should be presented as a numeral:
- a. “There are five cows there and 3,242 cows here” should be “There are **5** cows there and 3,242 cows here” or “The Company will fall either in two years or in 11 years” should be “The Company will fall either in **2** years or in 11 years”
- 9) Level capped rule: whenever the word “**level**” is mentioned that is pertaining to a specific level in the Fair Value Hierarchy, e.g., Level 1, the word “level” should always be capped.
- 10) Dollar outside rule: whenever presenting negative values within sentences, the dollar sign should be placed **outside** the opening parenthesis:
- a. “The income (expense) for the years ended 2015 and 2016 was \$123 and (\$455), respectively.” Should be ““The income (expense) for the years ended 2015 and 2016 was \$123 and **\$(455)**, respectively.”
- 11) Amount verb rule: whenever amounts are given with an accompanying noun, the verb would depend on the noun. Dollar amounts, with no given noun, by default are treated as singular:
- a. “Expenses totaling \$532,432 was treated as liabilities” should be “Expenses totaling \$532,432 **were** treated as liabilities” **but** “\$532,432 **was** treated as liabilities.”
- 12) Italic header and note mention rule: whenever headers present within the actual document are mentioned, this should be in italic. Also, when mentioning a note that within the document, the note should be lowercased:
- a. “In the Basis for Opinion paragraph, it is mentioned that...” should be “In the *Basis for Opinion* paragraph, it is mentioned that...”
 - b. “As seen in Note 5, Commitments and Contingencies, \$123 was earned.” should be “As seen in **note** 5, *Commitments and Contingencies*, \$123 was earned.”
- 13) Agreement casing rule: whenever agreement names are mentioned, the casing of the agreement should be determined whether title case for proper names or sentence case for generic agreements. An indicator could be the article used preceding the agreement; “a” usually denotes a generic agreement while “the” denotes a more specific type:
- a. “The Company entered into an Operating Agreement” should be “The Company entered into an **operating agreement**”
- 14) Symbol range rule: whenever unit symbol indicators are present in a given range, both the first and last value should have the symbol:
- a. “The Company lost 56–76% in revenue” should be “The Company lost 56%–76% in revenue”

ASU, ASC, GASB, etc. Treatment:

- ASU, ASC, GASB, and the like, if mentioned with a specific number, should always be accompanied with the appropriate title.
- Title should appear only in the first instance of the specific ASU. Succeeding mentions of the ASU should only be followed by the numeral identifier.
- Title should be in italic, enclosed in commas. It is not necessary for "FASB" to precede ASU et al.
- GASB mentions should also be preceded by "Statement No." e.g., GASB Statement No. 72, [insert title here]
- Always cross-check titles in the Internet for accuracy
- For ASU, if there is even one instance of presentation with "No." preceding the number (e.g., ASU No. 2016-17), then this should be made consistent across all ASU instances. Exception to this is if a definition to that specific ASU is given [e.g., ASU No. 2016-08 (ASU 2016-08)]
- For ASC, if there is even one instance of presentation with "Topic" and the like (see below), then this should be made consistent across all ASC instances.

ASC **Topic** 820

ASC **Subtopic** 820-10

ASC **Section** 820-10-30

ASC **Paragraph** 820-10-35-20

Check consistency of the header for the whole Notes section

**JERA POWER U.S.A. INC.
AND SUBSIDIARIES**
Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(Dollars in thousands)

Check abbreviations if used in the section; if **not**:

1) Search for the full form and if **the full form is used again, change it to the abbreviated form.**

2) If the full form does not appear again, **delete the abbreviation.**

(1) Organization

K-Heading Level 1

K-Note Text

JERA Power U.S.A. Inc. (formerly known as Chubu Electric Power Company U.S.A. Inc.) (JERA USA) was incorporated in the State of Delaware on August 5, 2004 as a wholly owned subsidiary of Chubu Electric Power Co., Inc. (the Former Parent), a Japanese corporation. On April 30, 2015, the Former Parent formed JERA Co., Inc. (the Parent), a joint venture whose share of 50% is owned by the Former Parent and remaining 50% is owned by TEPCO Fuel & Power, Incorporated. On July 1, 2016, the Former Parent transferred the whole stocks of JERA USA to the Parent. As a result of the transfer, the Parent has become 100% owner of JERA USA.

The major activities of JERA USA are to provide technical research, market and other information to the Parent and affiliates for overseas consulting and investments in the United States. As described in note 3, the Company has material transactions with the Parent and its affiliates.

(2) Summary of Significant Accounting Policies

Headers should be in title case, with prepositions lowercased

(a) Principles of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

(b) Principles of Consolidation

K-Heading Level 2

K-Note Text 2

The accompanying consolidated financial statements have included the accounts of JERA USA and its wholly owned subsidiary, J Cricket Holdings, LLC (JCH), and variable interest entity (VIE), AP Cricket Valley Holdings I Inc. (APCVH-I), in which JERA USA is the primary beneficiary (collectively, the Company). JCH and APCVH-I became JERA USA's consolidated entities on September 28, 2015. All significant intercompany balances and transactions have been eliminated in consolidation. The Company assess whether an entity is a variable interest entity VIE and, if so, whether JERA USA is its primary beneficiary at the time of initial involvement with the entity and on an ongoing basis. A VIE is an entity in which the equity investment at risk is not sufficient to finance the entity's activities, the equity investors lack certain characteristics of a controlling financial interest, or voting rights are not proportionate to the economic interests of equity investors and the entity's activities are conducted primarily on behalf of an investor that has disproportionately few voting rights. A VIE must be consolidated by its primary beneficiary, which is the entity with the power to direct the activities of a VIE that most significantly impact its economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. If such criteria are met, the Company consolidate the financial statements of such businesses with those of our own. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

(Continued) footer must appear from the first page to the penultimate page of the Notes section

(Continued)

**JERA POWER U.S.A. INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(Dollars in thousands)

Check for words that are supposed to be **hyphenated** (e.g., related-party transactions, long-term goal, etc.)

(i) Income Taxes

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax benefits are measured at the largest amount that is greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the judgment occurs.

(j) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(k) Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-07, *Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement for an investor to retroactively apply the equity method of accounting when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. ASU 2016-07 requires prospective application for investments that qualify for the equity method of accounting for annual periods in fiscal years beginning after December 15, 2016. The Company elected to early adopt the standard as of January 1, 2016. However, no events occurred during 2016 that triggered equity method accounting and no additional disclosures are required on transition. Therefore, adoption of the standard did not have a material effect on the Company's consolidated financial statements for the year ended December 31, 2016.

(l) Recently Issued Accounting Standards

In February 2015, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Updates (ASU) 2015-02, *Amendments to the Consolidation Analysis***, which eliminates the presumption that a general partner should consolidate a limited partnership, modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, and affects the consolidation analysis of reporting entities that are involved with VIEs (particularly those that have fee arrangements and related party relationships). In some cases, consolidation conclusions will change under the new guidance and, in other cases, a reporting entity will provide additional disclosures if an entity that currently is not considered a VIE is considered a VIE under the new guidance. The new standard is effective for the Company for annual periods in fiscal years beginning after December 15, 2016. The Company will adopt ASU 2015-02 on January 1, 2017, and is currently evaluating the effect that the new standard will have on its consolidated financial statements.

**JERA POWER U.S.A. INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(Dollars in thousands)

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets*

Embedded Tables

- These tables should be opened as Excel files in order to check **spelling, formatting, and totals**.
- Same rules apply** as to dollar symbol, double bar, row and column measurements, and indentation as with the main Excel statements
- There are values in embedded tables **that could be cross-checked with the main Statements**; determinants for values to be cross-checked include the line entry/row header, total header, and embedded table section title. **Do not cross check every single value; not all are applicable.**
- In the hard copy, if the grid lines of the embedded table is visible, this should be queried as "remove gridlines of embedded table(s)"
- For entries such as "80 days" or "34 cows," the word after the numeral should be title cases, e.g., 80 Days

statements.

(3) Related Party Transactions

(a) Due from Parent and Affiliates

As of December 31, 2016 and 2015, due from parent and affiliates consisted as follows:

	2016	2015
JERA Co., Inc.	\$ 35	—
Chubu Electric Power Co., Inc.	—	52
JERA Freeport Holding, Inc.	70	64
Chubu Electric Power Company International B.V.	3	10
Chubu Electric Power Falcon B.V.	5	2
Chubu Electric Power Goreway B.V.	9	15
JERA Energy America LLC	28	6
Total	\$ <u>150</u>	<u>149</u>

(b) Service Fee

The Company has a service agreement with the Parent, which is renewable each year automatically at the end of its term (June 30). Under the term of the agreement, the Company is to perform various services for the Parent, including gathering and analyzing information regarding investment project developments. The Company received 105% of total expenses incurred by the Company. The service fee received from the Parent in 2016 and 2015 was \$228 and \$277, respectively.

K-Note Text 2
Keep with
Next

-Text directly
above
embedded
tables should
have the
paragraph
style "keep
with next."
The one
above is K-
Note Text 2
Keep with
Next text 2
because it is
under K-
Heading Level
2